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August 1, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: *CC Docket No. 92-77 - Billed Party Preference for 0+ InterLATA Calls*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their "*Comments*" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Billed Party Preference
for 0+ InterLATA Calls

CC Docket No. 92-77

COMMENTS OF PACIFIC BELL AND NEVADA BELL

Pacific Bell and Nevada Bell file these comments and answer the specific questions posed by the Commission in the Further Notice of Proposed Rulemaking ("FNPRM") released June 6, 1994. While we agree with the Commission that BPP will be beneficial to consumers and will target competition to a more appropriate audience--the end users, the need for cost recovery is critical. We would particularly comment that 14 digit screening is a costly solution to a problem that doesn't exist, and we will explain our proposal for a simple 2-carrier calling card that will not unduly advantage or disadvantage any party.

COST RECOVERY

Cost recovery is a critical aspect of Billed Party Preference. BPP will cause us to spend millions of dollars. We must be guaranteed cost recovery, from either those making operator-assisted calls, or from the general body of ratepayers.

Cost recovery is especially necessary because of increased long term demands on the business while meeting competitive pressures, with reduced revenues. Since BPP is equal access for 0+ calling, it is logical to recover its costs in the same way 1+ equal access costs were recovered. Therefore, we suggest that the Commission use a cost recovery mechanism akin to the Equal Access Recovery Charge so that the non-recurring capital necessary to deploy BPP will be recovered from all access users.¹ The EACR-like charge should be recovered over a discrete time period, shorter than that mandated for EACR (10 years). We would suggest a 3 year recovery. Query rates based on the recurring costs would be an appropriate access rate element, and should be recovered on all operator-assisted calling, including 10XXX, and 1-800-type access code calling. In addition, the Commission should disallow automatic dialers to circumvent BPP.²

The Commission has noted that under BPP, compensation to Competitive Payphone providers will double.³ While the Commission has noted that consideration of revised payphone compensation rules will be deferred to a later date, we would like to emphasize that compensation should extend to LEC payphones as well, in order to provide a symmetric marketplace. Both LEC and Competitive Payphones incur costs to provide payphones and allow access to the network. Both must be allowed costs

¹ The costs that will need to be recovered include costs of deploying 0SS7. No other uses for 0SS7 have been identified and thus BPP will need to recover those costs.

² See FNPRM. para. 82.

³ FNPRM at n. 53.

recovery and the ability to provide commission substitutes to site owners where such payphones are located.

INMATE TELEPHONES

Pacific has stated in the past that it is in support of BPP, if implemented, in all markets including the inmate market. The reasoning behind this position is clear. If BPP is instituted in all markets except for the inmate market, and no special protection is instituted to prevent price gouging on inmate telephone services, the focus of the very type of activity that BPP is designed to prevent will shift solely on the inmate market and could potentially cause extreme hardship on the families of prisoners.

There are however, some key elements that in our opinion are essential for effective implementation. First, since this market has unique requirements such as legal requirements to protect witnesses from harassment, as well as an administrative need for continuity of call record information for use in criminal investigation and public safety, special provisions must be made to ensure these requirements will continue to be met under BPP. At this point in time, this can be accomplished only if an inmate call screening and control device or system is required and implemented at all inmate locations prior to BPP implementation. This system must be able to address all correctional institution concerns with regard to control and criminal investigation activity.

Second, since BPP requires this activity be performed at the first point of switching, unless this capability is required of every inter-exchange carrier, the payphone provider would be responsible for this system and would therefore be entitled

to full cost recovery on that system as well. We believe that the Commission should require the carriers to compensate the payphone providers for that cost.

Third, Pacific totally supports compensation to inmate facilities for inmate telephone service, in a manner that protects the revenue stream essential to these customers. Whether the mechanism for that compensation is based on the increase in per phone compensation, or by a per call charge, or a combination of approaches has yet to be determined. However, it is crucial that this be accomplished prior to BPP implementation for inmate services.

Our inmate facility customers have been informing us that they are strongly opposed to BPP for the very concerns listed above. We agree that those concerns must be met or implementation of BPP cannot be accomplished without significant risk.

14 DIGIT SCREENING

The Commission seeks comment on alternatives to 14 digit screening.⁴

The Commission has correctly noted that 14 digit screening contains great costs, and opens up possibilities of fraud. The Commission has noted that its main concern is that it is not in the public interest to adopt a BPP design that gives LECs, but not OSPs, the ability to offer line-number based calling cards. Under Pacific's proposal, this concern

⁴ FNPRM, para 70 et. seq.

is ameliorated. And, by not using 14 digit screening, the network will be more secure and costs reduced.

The cost of 14 digit screening are high, both from a dollar perspective, and from an administrative perspective. The costs of 14 digit screening were not included in the original cost estimates submitted in this docket. Besides costs, one of the more apparent problems with 14 digit screening is the increased likelihood of fraud. With multiple line number cards, customers will likely refer to PINs as account identifiers. Also, it will be easier to find a "match" when hacking a line number. And, our fraud detection system, Pacific Bell Sleuth, will need major reengineering in order to do the sophisticated fraud tracking necessary with multiple PINs. We believe that a better alternative exists that will allow interested parties to participate in the line number based market while curtailing costs.

Our proposal is for a 2 carrier card option; 1 IXC and/or 1 LEC can each offer the card which utilizes the line number of the end user and only 1 PIN. The line number plus PIN will be placed in the LEC's LIDB.⁵ With this proposal long distance carriers, or OSPs can participate in line number based card marketing. This could include the IXC having an exclusive billing relationship with the consumer. However, since this proposal would not require 14 digit screening, LIDB and fraud detection systems such as Pacific Bell Sleuth, can operate to quickly and efficiently detect fraudulent use. The only feature that this proposal would not accommodate is that end

⁵ The line number based card would need to reside in the LEC LIDB so appropriate validation could occur. Multiple LIDBs for the same line number would not be workable.

users could not have multiple line number based cards from competing carriers. However, there has been no evidence presented by OSPs that consumers seek to have this feature, or that having this feature is worth the risks of 14 digit screening. And, to look at 1+ equal access as a model, the choice of a single carrier has not been challenged by end users.

SELECTION OF 0+ CARRIER

The Commission has asked for comment on the balloting method to be used for customers to chose their preferred carrier for BPP.⁶ The Commission has tentatively concluded that each LEC will be required to notify its subscribers of their right to choose a 0+ carrier and to provide a ballot for doing so. If a customer does not respond to the ballot, then that customer will be defaulted to their 1+ carrier.⁷ Pacific Bell can support this tentative conclusion. However, the Commission must understand that various costs are associated with this procedure, and those costs will go into the BPP cost recovery pot.⁸

⁶ FNPRM, para. 61.

⁷ FNPRM, para 65-67.

⁸ These costs include the costs of a direct mailing as well as the costs to administer responses to the ballot, and to staff the informational 800 line that will be associated with the mailing to answer customer's questions. The costs will also reflect continuing turnover.

The Commission seeks additional information on how the secondary carrier will be selected.⁹ The Commission's discussion centers on whether the choice of secondary carrier should be up to the end user, or whether the primary carrier should select the secondary carrier. We endorse the latter. Allowing a customer to choose not only the primary, but also the secondary, simply confuses the customer, and will make the selection process very difficult. In this situation, a customer could choose a secondary carrier that does not have nationwide presence, and may therefore be unable to complete 0+ calls away from home. The better approach is to have the entire concept of secondary carrier be transparent to the customer. The primary carrier should designate the secondary carrier. The primary carrier can negotiate with carriers for this service, while the primary carrier can retain all key contact with the customer, including billing and inquiries. To the customer, the primary carrier will have nationwide presence, since a customer's 0+ calls will complete from any location. This is very much akin to how small carriers market their service to today. While arranging with larger carriers to complete the calls, small carriers can focus their attention of other value added services to their customers to attract clients.

The Commission also asks about having different secondary carriers in various regions.¹⁰ Such a proposal would make LIDB much more complex, and will require a more sophisticated routing and translations scheme in order to determine where the call originates, and what carrier operates in that location. Because this

⁹ FNPRM, para 68.

¹⁰ FNPRM, para 69.

proposal unnecessarily complicates the BPP scheme, with no showing that customers or primary carriers would want this service, we do not support this approach. We believe that, consistent with how calls are completed for 1+ equal access, primary carriers can negotiate with other carriers to form nationwide alliances, or can contract with a nationwide carrier for the secondary status. In addition, recent industry consolidations, such as the LDDS-Metromedia merger, diminishes the necessity of offering multiple alternate carriers.

The Commission also seeks comment on how TOCSIA's call branding requirements should apply in a BPP environment.¹¹ We are concerned since branding prior to the LIDB query will not be possible. For example, if a customer uses a calling card, the carrier that will carry that call will not be determined until after the LIDB query has been completed. Therefore, some changes to the TOCSIA branding requirements may be necessary.

ALTERNATIVES TO BPP

At this time, it is not possible to identify another solution with all the benefits of BPP. The market anomalies currently require some correction. Consumer confidence in the telephone network is extremely important and should be supported. As long as OSPs are free to charge rates wildly in excess of costs, while promising large commissions to premises owners for the privilege of placing telephones on those

¹¹ FNPRM, para 69.

premises, consumers will suffer. One alternative to a billed party preference system, therefore, is to prevent rate gouging, so that consumers will be able to use operator-assisted calling without fear. Putting some sort of rate cap on OSPs, while instituting an O+ public domain-type system, may solve some of the problems BPP is attempting to rectify.

COMMERCIAL CREDIT CARDS

The Commission has tentatively concluded that BPP should accommodate commercial credit cards.¹² We note that we have not included costs of including commercial credit cards into the costs submitted to date. No costs have been estimated since a service design for the introduction of commercial credit cards has not yet been developed. One important feature of any design would be that commercial credit cards would need to be subject to minimum query response time requirements so that calls are not suspended for an inappropriate period of time. In any event, no showing of customer demand has been made.

CONCLUSION


The Commission should allow full cost recovery for BPP costs. The Commission should not endorse 14 digit LIDB screening. It is costly, administratively difficult, and will result in customer confusion. A 2 carrier card can allow all carriers to

¹² FNPRM, para 80.

participate in the line number-based card market and preserve the excellent fraud detection systems currently in place. Further, the Commission should not allow end users to choose a secondary carrier, or allow alternate regional carriers. Instead, carriers should be able to independently negotiate for secondary status.

Respectfully submitted,

PACIFIC BELL
NEVADA BELL



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Date: August 1, 1994